

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

## FORM 11-K

- ☒ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended December 31, 2002

- ☐ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the Transition Period From \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-14278

- A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

### MICROSOFT CORPORATION 1997 EMPLOYEE STOCK PURCHASE PLAN

- B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Microsoft Corporation  
One Microsoft Way  
Redmond, Washington 98052-6399

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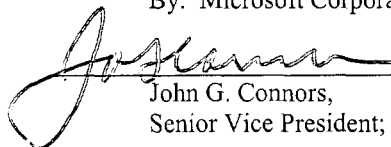
### SIGNATURES

*The Plan.* Pursuant to the requirements of the Securities and Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Microsoft Corporation 1997 Employee Stock Purchase Plan

By: Microsoft Corporation

Date: March 28, 2003

  
John G. Connors,  
Senior Vice President, Chief Financial Officer

MICROSOFT CORPORATION  
1997 EMPLOYEE STOCK PURCHASE PLAN  
FINANCIAL STATEMENTS FOR EACH OF THE  
THREE YEARS ENDED DECEMBER 31, 2002,  
AND INDEPENDENT AUDITORS' REPORT

# **MICROSOFT CORPORATION 1997 EMPLOYEE STOCK PURCHASE PLAN**

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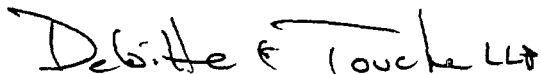
## INDEPENDENT AUDITORS' REPORT

Plan Administrator  
Microsoft Corporation  
1997 Employee Stock Purchase Plan  
Redmond, Washington

We have audited the accompanying statements of assets available for benefits of Microsoft Corporation 1997 Employee Stock Purchase Plan (the Plan) as of December 31, 2002 and 2001, and the related statements of changes in assets available for benefits for the three years ended December 31, 2002. These financial statements are the responsibility of the Plan Administrator. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Plan Administrator, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the assets available for benefits of the Plan as of December 31, 2002 and 2001, and the changes in assets available for benefits for each of the three years ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Deloitte & Touche LLP  
Seattle, Washington  
February 28, 2003

**MICROSOFT CORPORATION**  
**1997 EMPLOYEE STOCK PURCHASE PLAN**

STATEMENTS OF ASSETS AVAILABLE FOR BENEFITS  
DECEMBER 31, 2002 and 2001

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|                               | <u>2002</u>       | <u>2001</u>       |
|-------------------------------|-------------------|-------------------|
| ASSETS:                       |                   |                   |
| Cash                          | \$ <u>672,323</u> | \$ <u>962,403</u> |
| ASSETS AVAILABLE FOR BENEFITS | \$ <u>672,323</u> | \$ <u>962,403</u> |

**MICROSOFT CORPORATION**  
**1997 EMPLOYEE STOCK PURCHASE PLAN**

STATEMENTS OF CHANGES IN ASSETS AVAILABLE FOR BENEFITS  
EACH OF THE THREE YEARS ENDED DECEMBER 31, 2002

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|   | <u>2002</u>        | <u>2001</u>        | <u>2000</u>        |
|---|--------------------|--------------------|--------------------|
| ADDITIONS:                                  |                    |                    |                    |
| Employee contributions                      | \$ 341,741,053     | \$ 246,842,523     | \$ 190,840,573     |
| DEDUCTIONS:                                 |                    |                    |                    |
| Cost of shares purchased                    | <u>342,031,133</u> | <u>246,369,351</u> | <u>191,365,386</u> |
| CHANGES IN ASSETS AVAILABLE FOR<br>BENEFITS | (290,080)          | 473,172            | (524,813)          |
| ASSETS AVAILABLE FOR BENEFITS:              |                    |                    |                    |
| Beginning of period                         | <u>962,403</u>     | <u>489,231</u>     | <u>1,014,044</u>   |
| End of period                               | <u>\$ 672,323</u>  | <u>\$ 962,403</u>  | <u>\$ 489,231</u>  |

**MICROSOFT CORPORATION**  
**1997 EMPLOYEE STOCK PURCHASE PLAN**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1: THE PLAN**

The Microsoft Corporation 1997 Employee Stock Purchase Plan (the Plan) commenced on January 1, 1997. The following provides only general Plan information; participants should refer to the Plan agreement for a complete description of the Plan's provisions.

**General:** The Plan Administrator believes the Plan meets the qualification standards of Section 423 of the Internal Revenue Code of 1986. The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Plan covers all eligible employees of Microsoft Corporation (the Company) who are considered "regular employees" of Microsoft, whose hire date is on or before the first business day of the ESPP period and where customary employment is for more than five months in any calendar year.

**Contributions:** Participants may make contributions to the Plan through payroll deductions (not exceeding 15% of their compensation) for the purpose of purchasing the Company's common stock. Participants are given the opportunity to purchase shares on June 30 and December 31 of each year until such time as the Plan is terminated (see Termination of the Plan). The maximum number of shares that will be offered under the 1997 Plan is 80,000,000.

**Options granted and withdrawals:** Participants are granted the option to purchase shares of Microsoft Corporation common stock from the Company at 85% of the lesser of the fair market value on the first or last business day of each six-month period ending June 30 or December 31. If, prior to the end of any six-month period, a participant elects to withdraw from the Plan or has terminated, the Plan refunds any amounts withheld in that period plus any carryover from the previous period. Participants of the Plan purchased 7,580,912 5,410,313 and 4,040,379 shares of Microsoft common stock during the years ended December 31, 2002, 2001 and 2000, respectively, with 52,735,537 shares reserved for future issue. Refunds from Participant withdrawals have not been significant. Note, Microsoft split their common stock two for one on February 14, 2003. Share information disclosed herein is pre-split.

**Assets available for benefits:** Assets available for benefits represent cash in participant accounts that was less than the amount necessary to purchase a full share and cash contributed to the Plan greater than the cost of the maximum number of shares allowed to be purchased in a six-month period (see Limitations). Participants may carry over such amounts to the next period or may request a refund from the Plan.

**Limitations:** Employees owning shares representing 5% or more of the total combined voting power or value of all classes of shares of the Company are not permitted to subscribe for any shares under the Plan. Under the Plan no Participant may purchase more than 8,000

shares of stock during a six-month period or purchase shares through the Plan with an aggregate fair market value in excess of \$25,000 in any one calendar year.

**Plan administration:** All expenses for Plan administration are paid by the Company and are not reflected in the accompanying financial statements.

#### **NOTE 2: TERMINATION OF THE PLAN**

The 1997 Employee Stock Purchase Plan expired on December 31, 2002. In 2002, Microsoft's Board of Directors approved a new plan, the 2003 Employee Stock Purchase Plan, which took effect on January 1, 2003. There have been no significant changes to the terms of the plan. The 2003 Plan shall terminate at the earliest of the following

- December 31, 2012
- The date of the filing of a statement of intent to dissolve by the Company or the effective date of a merger or consolidation (except with a related company) where the Company is not to be the surviving corporation
- The date the Board acts to terminate the Plan
- The date when all shares reserved under the Plan have been purchased

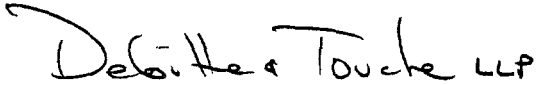
In the event of a dissolution, merger or acquisition, the Company may permit a participating employee to exercise options to the extent that employee payroll deductions have accumulated. In the event of termination, Plan assets will be distributed to the Participants.

#### **NOTE 3: AMENDMENT**

Effective January 1, 2002, the Plan was amended to increase the maximum contribution rate participants may elect through payroll deduction from 10% to 15%.

## INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 333-16665 and 33-37622 of Microsoft Corporation on Form S-8 of our report dated February 28, 2003, appearing in this Annual Report on Form 11-K of the Microsoft Corporation 1997 Employee Stock Purchase Plan for the year ended December 31, 2002.

A handwritten signature in cursive script that reads "Deloitte & Touche LLP".

Deloitte & Touche LLP  
Seattle, Washington

March 26, 2003